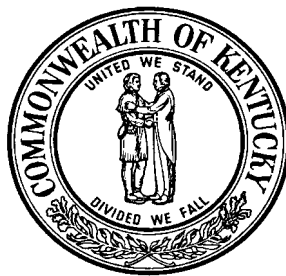


**REPORT OF THE AUDIT OF THE
BOYLE COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2008**



**CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS
www.auditor.ky.gov**

**209 ST. CLAIR STREET
FRANKFORT, KY 40601-1817
TELEPHONE (502) 564-5841
FACSIMILE (502) 564-2912**

EXECUTIVE SUMMARY
AUDIT EXAMINATION OF THE
BOYLE COUNTY FISCAL COURT

June 30, 2008

The Auditor of Public Accounts has completed the audit of the Boyle County Fiscal Court for the fiscal year ended June 30, 2008. We have issued an unqualified opinion, based on our audit and the report of the other auditors, on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky.

Financial Condition:

The fiscal court had total net assets of \$10,346,137 as of June 30, 2008. The fiscal court had unrestricted net assets of \$3,894,117 in its governmental activities as of June 30, 2008, with total net assets of \$10,331,405. In its business-type activities, total net cash and cash equivalents were \$5,246 with total net assets of \$14,732.

Debt Obligations:

The fiscal court had total debt principal as of June 30, 2008 of \$4,229,200 with \$421,500 due within the next year.

Deposits:

On June 30, 2008, the Fiscal Court's deposits were exposed to custodial credit risk as follows:

- Uninsured and Uncollateralized \$1,105,652

The Fiscal Court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the Fiscal Court's deposits in accordance with the security agreement.

| <u>CONTENTS</u> | PAGE |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------|
| INDEPENDENT AUDITOR’S REPORT..... | 1 |
| BOYLE COUNTY OFFICIALS | 3 |
| MANAGEMENT DISCUSSION AND ANALYSIS | 4 |
| STATEMENT OF NET ASSETS - MODIFIED CASH BASIS..... | 21 |
| STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS | 24 |
| BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS | 28 |
| STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS | 32 |
| RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS | 37 |
| STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS | 41 |
| STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS | 45 |
| STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS..... | 48 |
| STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS..... | 53 |
| NOTES TO FINANCIAL STATEMENTS..... | 55 |
| BUDGETARY COMPARISON SCHEDULES | 71 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 76 |
| COMBINING BALANCE SHEET - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS..... | 78 |
| COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS | 82 |
| REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS | 87 |
| APPENDIX A: | |
| CERTIFICATION OF COMPLIANCE - LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM | |



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the Boyle County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Boyle County Municipal Properties Corporation, a blended component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Boyle County Municipal Properties Corporation, is based on the report of the other auditors. Those financial statements reflect less than 1% of revenues for all governmental funds and 8% of non-major governmental funds, 4% of expenditures for all governmental funds and 74% of non-major governmental funds.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

As described in Note 1, Boyle County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.



To the People of Kentucky
Honorable Steven L. Beshear, Governor
Jonathan Miller, Secretary
Finance and Administration Cabinet
Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Boyle County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, based on our audit and the report of the other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated September 3, 2009 on our consideration of Boyle County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

September 3, 2009

BOYLE COUNTY OFFICIALS

For The Year Ended June 30, 2008

Fiscal Court Members:

| | |
|--------------------|------------------------|
| Harold W. McKinney | County Judge/Executive |
| Donnie Coffman | Magistrate |
| Phillip Sammons | Magistrate |
| Brent Woodrum | Magistrate |
| John Hudson | Magistrate |
| John Davis | Magistrate |
| Mickey Harmon | Magistrate |

Other Elected Officials:

| | |
|------------------|----------------------------------|
| Richard Campbell | County Attorney |
| Barry Harmon | Jailer |
| Trille Bottom | County Clerk |
| Joni Terry | Circuit Court Clerk |
| LeeRoy Hardin | County Sheriff |
| Eddie Tamme | Property Valuation Administrator |
| Dr. James Ramey | Coroner |

Appointed Personnel:

| | |
|-------------------|------------------------------------|
| Mary C. Lynn | County Treasurer |
| Marcia Pierce | Occupational Tax Administrator |
| Gail Bowling | Finance Officer |
| Connie Smith | Payroll Officer |
| Duane Campbell | Road Supervisor |
| Lennie Shepperson | 911 Administrator/EMA Coordinator |
| Melissa Gross | Jail Office Manager |
| Brad Ellis | Emergency Medical Service Director |
| Donna Fechter | Solid Waste Coordinator |

**BOYLE COUNTY FISCAL COURT
MANAGEMENT DISCUSSION AND ANALYSIS
JUNE 30, 2008**

The management team for the Boyle County Fiscal Court (Boyle County) presents this narrative to help our readers review the accompanying annual financial statements for the year ended June 30, 2008. We have prepared this overview and analysis of the County's financial activities to add additional information to the financial schedules and the note disclosures.

The Governmental Accounting Standards Board (GASB) issued a new standard in June 1999 that outlines reporting requirements for state and local governments across the United States. Boyle County uses the cash basis of accounting (which recognizes transactions immediately when cash is received or disbursed) as prescribed by the Kentucky State Local Finance Officer (KRS 68.210) and does not use the accounting methods outlined in GASB Statement 34. Our analysis will examine the financial highlights for this fiscal year and help explain the format for our readers.

FINANCIAL HIGHLIGHTS

- As of June 30, 2008, Boyle County had net assets of \$10,346,137. That includes unrestricted net assets of \$3,894,117 in their governmental activities as of June 30, 2008, with total net assets of \$10,331,405. In the enterprise fund, cash and cash equivalents were \$5,246 with total assets of \$14,732. Total debt principal as of June 30, 2008 was \$4,229,200 with \$421,500 due within one year.
- Net assets increased by \$1,792,267. Half of the increase in net assets was due to fixed asset and infrastructure additions, land purchase, and building improvements. The other half was a gain in governmental activities current assets.
- At the close of the current fiscal year, Boyle County's balance sheet showed a fund balance (a measure of current financial resources) of \$3,842,335 in the governmental funds which was an increase of \$671,502 from the prior year. Of this amount, \$3,404,799 was unreserved and available for future programs.
- The General Fund unreserved fund balance, as of June 30, 2008, was \$2,740,908, or about 64% of total general fund expenditures.
- Boyle County's total indebtedness at the close of fiscal year ended June 30, 2008 was \$4,229,200 which is long term debt (due after one year). There were \$4,269,200 in debt additions and debt reductions were \$4,315,333 for a net reduction of \$46,133. The key component of this reduction was the refunding of the Municipal Properties Corporation bonds on March 11, 2008.

OVERVIEW OF FINANCIAL STATEMENTS

This management discussion and analysis is intended to introduce the Boyle County's basic financial statements. Basic financial statements include three major sections: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information to provide additional information that our readers can use to analyze our finances.

Government-wide Financial Statements - The *government-wide financial statements* are designed to provide our readers with an overview of Boyle County's finances, presenting all funds in a more simplified format. This section is similar to financial reporting used by commercial entities.

The *Statement of Net Assets* presents information on all the County's assets and liabilities, including long-term debt and capital assets in the governmental funds. The difference between assets and liabilities is reported as *net assets*. Increases or decreases in net assets may indicate whether the financial position of the County is improving or deteriorating.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

The *Statement of Activities* presents information showing how the government's net assets changed during the fiscal year. All changes in net assets are reported as soon as transactions occur, regardless of when the related cash flows are reported (modified cash basis of accounting). Therefore, some revenues and expenses included in this statement may reflect cash flows that will occur in future periods.

Under Boyle County's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from a cash transaction, except for the recording of depreciation expenses on a capital assets in the government-wide financial statement for all activities and in the fund financial statements for the proprietary fund financial statements.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as amounts billed for services provided, but not collected) and accounts payable (expenses for goods and services received but not paid) or compensated absences are not recorded.

Government-wide statements are separated into two major categories: 1) *governmental activities* that are principally supported by taxes and intergovernmental revenues, and 2) *business-type activities* that are supported with user fees and charges. Governmental activities include administrative functions, protections to persons and property, roads, recreation and community programs. Business-type activities include the jail canteen and the internal service fund of the Boyle County's health program.

The government-wide financial statements include not only Boyle County itself (known as the primary government), but also legally separate entities, which have a significant operational or financial relationship with the County. Boyle County has one such entity, the Municipal Properties Corporation. It is known as a blended component unit.

Fund financial statements – Funds are used in governmental accounting to separate resources that are designated for specific programs or activities. Boyle County, like other state and local governments, uses fund accounting to demonstrate compliance with the laws, regulations, and contractual agreements that establish the authority for the County's programs and services. Governments use three types of funds: governmental, proprietary, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for the Boyle County's basic services, the same services that are included in the governmental activities on the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on current financial resources, as well as balances of spendable resources available at the end of the fiscal year. This information is important for assessing the County's current financial resources.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's current picture presented in the fund statements. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

Boyle County maintains twelve individual governmental funds. Major governmental funds include the General, Road, Joint Jail, Emergency Medical Service, General Obligation, and Emergency 911 Funds. The Local Government Economic Assistance, State Surplus, TEA-21, Jail, Kentucky Local Correctional Facilities Construction Authority, and Municipal Properties Corporation funds are considered non-major funds and are represented in a combined form.

Boyle County adopts an annual budget for all funds in accordance with Kentucky Revised Statutes Chapter 68. The budgetary comparison has been provided for each of these funds to demonstrate compliance with their budgets.

Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)

OVERVIEW OF FINANCIAL STATEMENTS (Continued)

Proprietary Funds. Proprietary funds include two enterprise funds. The enterprise funds include operations for the jail canteen and an internal service fund for health insurance. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail.

Notes to the Financial Statements. Notes provide additional information that is essential to a full understanding of the information included in the financial schedules.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Assets. As noted earlier, net assets may serve over time as a useful indicator of a government's financial position.

Table 1
Net Assets Comparison - Governmental Activities

| | 2007 | 2008 | Variance | % |
|----------------------------------------------------|---------------------|----------------------|---------------------|---------------|
| Assets | | | | |
| Current and Other Assets | \$ 3,214,495 | \$ 4,070,052 | \$ 855,557 | 0.27 |
| Capital Assets | 9,599,746 | 10,490,553 | 890,807 | 0.09 |
| Total Assets | 12,814,241 | 14,560,605 | 1,746,364 | 0.14 |
| Liabilities | | | | |
| Current Liabilities | 315,333 | 421,500 | 106,167 | 0.34 |
| Noncurrent Liabilities | 3,960,000 | 3,807,700 | (152,300) | (0.04) |
| Total Liabilities | 4,275,333 | 4,229,200 | (46,133) | (0.01) |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 5,324,413 | 6,261,353 | 936,940 | 0.18 |
| Restricted (Restated) | 200,440 | 175,935 | (24,505) | (0.12) |
| Unrestricted (Restated) | 3,014,055 | 3,894,117 | 880,062 | 0.29 |
| Total Net Assets | \$ 8,538,908 | \$ 10,331,405 | \$ 1,792,497 | 0.21 |

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

**Table 2
Net Assets Comparison - Business Type Activities**

| | 2007 | 2008 | Variance | % |
|----------------------------------------------------|------------------|------------------|-----------------|---------------|
| Assets | | | | |
| Current and Other Assets | \$ 3,110 | \$ 5,246 | \$ 2,136 | 0.69 |
| Capital Assets | 11,852 | 9,486 | (2,366) | (0.20) |
| Total Assets | 14,962 | 14,732 | (230) | (0.02) |
| Net Assets | | | | |
| Invested in Capital Assets, Net of Related Debt | 11,852 | 9,486 | (2,366) | (0.20) |
| Unrestricted | 3,110 | 5,246 | 2,136 | 0.69 |
| Total Net Assets | \$ 14,962 | \$ 14,732 | \$ (230) | (0.02) |

Changes in Net Assets.

Governmental Activities. Boyle County's net assets increased by \$1,792,497 in fiscal year 2008.

Key Elements of this are:

- Current assets and cash increased \$1,746,364.
- Investment in capital assets increased \$936,940 due primarily to infrastructure additions, land purchase, and building improvements.
- Current and long-term liabilities decreased \$46,133.
- Revenues were \$12,914,234 as reflected in the Statement of Activities.
- Expenditures totaled \$11,084,014 as reflected in the Statement of Activities.

Business-type Activities. Boyle County's net assets decreased by \$230 in fiscal year 2008.

Key Elements of this are:

- Current assets and cash increased by \$2,136.
- Investment in capital assets decreased \$2,366 due to equipment disposal/depreciation.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

Changes in Net Assets.

The second statement in the government-wide statements is the Statement of Activities. The following table outlines the major components of this statement.

**Table 3
Statement of Activities Comparison -
Governmental Activities**

| | 2007 | 2008 | Variance | % |
|----------------------------------------|---------------------|----------------------|---------------------|----------|
| Expenses: | | | | |
| General Government | \$ 3,851,433 | \$ 4,167,401 | \$ 315,968 | 0.08 |
| Protection to Persons and Property | 3,698,399 | 3,543,485 | (154,914) | (0.04) |
| General Health and Sanitation | 1,306,896 | 1,146,308 | (160,588) | (0.12) |
| Social Services | 255,097 | 111,102 | (143,995) | (0.56) |
| Recreation and Culture | 494,870 | 944,178 | 449,308 | 0.91 |
| Roads | 508,641 | 196,146 | (312,495) | (0.61) |
| Airports | 25,139 | 15,127 | (10,012) | (0.40) |
| Transportation Facilities and Services | 14,610 | 15,162 | 552 | 0.04 |
| Interest on Long-term Debt | 237,086 | 473,323 | 236,237 | 1.00 |
| Capital Projects | 279,590 | 471,782 | 192,192 | 0.69 |
| Total Expenses | <u>10,671,761</u> | <u>11,084,014</u> | <u>412,253</u> | 0.04 |
| Revenues: | | | | |
| Charges for Services | 2,572,549 | 2,969,794 | 397,245 | 0.15 |
| Operating Grants and Contributions | 2,372,776 | 2,654,990 | 282,214 | 0.12 |
| Capital Grants and Contributions | 175,000 | 896,654 | 721,654 | 4.12 |
| General Revenues | <u>5,771,585</u> | <u>6,392,796</u> | <u>621,211</u> | 0.11 |
| Total Revenues | <u>10,891,910</u> | <u>12,914,234</u> | <u>2,022,324</u> | 0.19 |
| Change in Net Assets | 220,149 | 1,830,220 | 1,610,071 | 7.31 |
| Beginning Net Assets (Restated) | <u>8,318,759</u> | <u>8,501,185</u> | <u>182,426</u> | 0.02 |
| Ending Net Assets | <u>\$ 8,538,908</u> | <u>\$ 10,331,405</u> | <u>\$ 1,792,497</u> | 0.21 |

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

GOVERNMENT-WIDE FINANCIAL ANALYSIS (Continued)

Change in Net Assets. (Continued)

**Table 4
Statement of Activities Comparison -
Business Type Activities**

| | <u>2007</u> | <u>2008</u> | <u>Variance</u> | <u>%</u> |
|------------------------------|------------------|------------------|-----------------|----------|
| Expenses: | | | | |
| Cost of Sales | \$ 113,860 | \$ 164,342 | \$ 50,482 | 0.44 |
| Personnel Costs | 26,083 | 21,819 | (4,264) | (0.16) |
| Educational and Recreational | 5,568 | 8,206 | 2,638 | |
| Depreciation | 2,505 | 2,366 | (139) | (0.06) |
| Miscellaneous | 3,684 | 3,044 | (640) | (0.17) |
| Total Expenses | <u>151,700</u> | <u>199,777</u> | <u>48,077</u> | 0.32 |
| Revenues: | | | | |
| Charges for Services | <u>143,975</u> | <u>199,547</u> | <u>55,572</u> | 0.39 |
| Change in Net Assets | (7,725) | (230) | 7,495 | 0.97 |
| Beginning Net Assets | <u>22,687</u> | <u>14,962</u> | <u>(7,725)</u> | (0.34) |
| Ending Net Assets | <u>\$ 14,962</u> | <u>\$ 14,732</u> | <u>\$ (230)</u> | (0.02) |

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, Boyle County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds Overview. The focus of Boyle County governmental funds is to provide information on current inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

On June 30, 2008, the combined ending fund balance of Boyle County's governmental funds was \$3,842,335. Approximately 89% (\$3,404,799) of this was unreserved fund balance, which is available as working capital and for current spending in accordance with the purposes of the specific funds. The remainder of fund balance, \$437,536 is reserved to pay encumbrances and debt service.

Boyle County has 6 major governmental funds. These are 1.) General Fund; 2.) Road Fund; 3.) Joint Jail Fund; 4.) Emergency Medical Services Fund; 5.) Emergency 911 Fund; and, 6.) General Obligation Fund. There are 6 non-major funds. These are 1.) Local Government Economic Assistance Fund; 2.) State Grants Fund; 3.) Kentucky Local Correctional Facilities Construction Authority Fund, 4.) Boyle Jail Fund; 5.) TEA-21 Fund; and, 6.) Boyle County Municipal Properties Fund. These funds are combined for this report because their revenues and expenses are smaller than other funds of the County.

The fund statements for the proprietary funds look much like the business-type activities in the government-wide statements. Proprietary fund financial information is measured with the same principles used by commercial enterprises, so this information does not change from the fund statements to the government-wide statements.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

In April 2008, County Judge/Executive, Tony Wilder, was appointed Commissioner of the Department for Local Government and Governor Beshear appointed Harold W. McKinney as County Judge/Executive.

Consolidation of county and city governmental activities is still a priority of this County Judge/Executive and Fiscal Court. Prior fiscal years consolidated services includes the Recycling Center, Solid Waste Coordination, Emergency Management, Property Tax Collection, Occupational Tax Collection, Building

Inspection, and Fire and Rescue. Future consolidations may include geographic information systems, and computer information technology services.

Boyle County hopes to implement a comprehensive website to help users easily obtain continually current governmental information. Planning is underway to construct infrastructure that will provide broadband internet availability to areas of Boyle County where there is little or no prospect of future service.

In fiscal year 2008, fuel prices escalated to just over \$4.10 a gallon taking all departmental fuel accounts over budget by an average of 24% representing a total overage of \$51,073.

Boyle County contracted with a telephone consulting group, Abilita KY, to review all local, long distance, and cellular carriers including equipment for all departments. Upon completion of the cellular and local service carrier conversions, Boyle County realized an annual savings of \$10,409 representing an annual decrease of expenditures by 25%.

1. The General Fund is the chief operating fund of Boyle County. At the end of fiscal year 2008, unreserved fund balance of the General Fund was \$2,740,908 while the total fund balance was \$2,908,193. \$487,630 of the total fund balance is invested in Certificates of Deposits with an average rate of return of 5.27%. The County received \$3,993,174 in occupational tax revenues which accounts for approximately 56% of the general fund revenue and is \$165,947 more than last fiscal year. \$1,287,121 was received from real property, personal property, bank deposits, and deed taxes and accounts for approximately 18% of Boyle County's general fund revenues. The county offices of Clerk, Sheriff and Attorney turned over \$420,140 in excess fees which equates to 6% of the general fund revenues. Reimbursement Grants of \$463,116 make up 6% of revenues. Various other service fees make up the remaining 14% of revenues.

The fiscal year 2008 expenses were \$4,373,362. Highlights include:

- a. county public works employees installed water lines to expand the potable water supply to those households on Rankin Road at a cost of \$66,203,
- b. had the Courthouse roof replaced in the amount of \$59,171,
- c. erected an outdoor warning siren in northeast Boyle County serving the Old Bridge Subdivision and surrounding rural area at a cost to the taxpayers of \$10,126,
- d. as a cooperative effort, the City of Danville and the Boyle County Fiscal Court shared 50/50 in the expense of building an Emergency Operations Center as an addition onto the 911 Center; County's portion was paid from the general fund and local government economic assistance fund for a total of \$22,636,
- e. received a state grant and cleaned up an illegal open dump on Claunch Road at a cost of \$5,033,
- f. received a state grant and cleaned up an illegal open dump on State Hwy 52 at a cost of \$8,005,
- g. for historical documentation; a primary and general election costs the taxpayers approximately \$99,400,
- h. received a \$112,500 Help America Vote Act grant for twenty-five (25) E-scan voting machines which will better facilitate high volumes of voters more efficiently, eliminate electronic voting machine down time on election day, and will comply with the upcoming requirements for a voter paper trail,

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

1. (Continued)

- i. received a State grant of \$123,700 for a pilot curbside recycling program in the City of Perryville and the subdivision of Harmon Heights. The grant provides for the necessary employee labor, educational brochures and advertising, and equipment to include scales, skid loader w/grapple bucket, hydraulic trailer with ten (10) roll-off boxes, and two (2) dump trailers;
- j. an Alum Springs Convenience Center compactor replacement at \$29,626,
- k. the Public Works, EMS and Recycle portion of the GSC lease payment of \$80,553 to the Municipal Properties Corporation Fund,
- l. transfers to other funds of \$2,024,140,
- m. included in the General Fund budget are expenses for the joint City of Danville/County of Boyle Recycling Services, City/County Emergency Management Services, City/County Property and Occupational Tax Collection, City/County Building Inspection Program, Solid Waste collection to include open dump and city/county roadside cleanups, Animal Control services for both the City of Danville and County of Boyle, the Parks and Recreation program, non-profit appropriations, and planning and zoning.

2. The Road Fund is related to county facilities, road, and bridge construction and maintenance. The June 30, 2008 fund balance was \$96,700. The General Fund transferred \$375,000 for operational expenses from its occupational tax collections.

Fiscal year 2008 expenditures for road and bridge projects were \$562,115. Of that expenditure the State Transportation Cabinet allocated as a one-time grant the reimbursement of \$497,207 for road resurfacing projects. The Transportation Grant Road projects include Old Bridge Road, Persimmon Knob, Cream Ridge Road, Short Line Road, Wandering Hill Road, Tennessee Ridge Road, North Buster Pike, and Hughes Lane. Fiscal Court funded road resurfacing projects include Parksville Cemetery Road, Kendal Hays Road, Tuggle Road Turnaround, Nosco Road, and Belcher Road.

Capital equipment purchases include a mig welder in the amount of \$1,723, a 5000w Generator in the amount of \$1,787, automotive wheel dolly and 4 jack stands in the amount of \$4,300, 2 desktop computers in the amount of \$1,755, and a new dump truck in the amount of \$73,502. The County paid \$34,141 on a dump truck lease that had a principal of \$64,000 and an interest rate of 4.898% for 18 mos. This lease was paid in full in July of this fiscal year. The County entered into a new lease for the new dump truck purchased in June of 2008 with a principal balance of \$36,500 and an interest rate of 2.715% for 12 mos.

3. The Joint Jail Fund is used to account for the operation of the Boyle/Mercer County Regional Detention Center. Operational costs are shared by both counties as set out in an inter-local agreement and based on annual inmate population ratios. The inmate ratio contributions for Boyle and Mercer Counties for operational expenses and debt service were based on 60% and 40%, respectively for the 2008 fiscal year.

The budget sets the number of jail personnel at 46. Based on the 2006/07 inmate cost analysis, the county inmate daily per diem for this fiscal year is \$25.61. Beginning with the fiscal year 2002, the combined Boyle and Mercer inmate population has increased 78%, billable inmate populations have increased 55%, and the total jail population has increased an overall 68%.

Due to the continual rise in Boyle and Mercer inmates, the Joint Jail Committee is working diligently to reduce those numbers to avoid State Correction inspection violations and free up space for paying inmates. Methods being explored are to have the judicial judges expedite inmate sentencing, requesting the grand jury to meet every 30-40 days, sentencing to "home incarceration", and the service of criminal summons' rather than arrest warrants for non violent crimes.

In November of 2007, Boyle County and State Corrections considered facility expansion as a means of relieving overcrowding at the jail. It was determined the expense would far outweigh the benefit.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

3. (Continued)

The Joint Jail Fund had a fund balance at June 30, 2008 of \$85,400. June 30, 2008 revenues were \$2,339,181 up \$370,812 from the previous fiscal year specifically attributed to the increase in State inmate revenues and Mercer County's operations contributions. Expenses were \$2,788,893 up \$306,575 from the previous fiscal year.

The Joint Jail Fund received \$1,303,988 or 56% of total revenues for housing state prisoners which equates to an average of 115.5 inmates a day at \$30.94 each.

Mercer County contributed \$469,058 toward the operational expenses and debt service lease payments which constitutes 20% of total revenue.

The inmates themselves contributed directly and indirectly \$307,053 or 13% of total revenue in fees for operational expenses. These dollars came from inmate stay per diems, medical copays, hygiene product reimbursements, court costs, bond fees, work release, DUI fees, and telephone commissions. The other 11% consists of state allotments for county prisoners, canteen staff reimbursements, and other miscellaneous reimbursements and interest.

As the fiscal year neared its end, the Commonwealth of Kentucky began experiencing revenue shortfalls. That resulted in allotment payment reductions totaling \$6,130 annually for Boyle and Mercer. Boyle County's General Fund contributed \$703,587 from occupational tax collections.

As the Detention Center continues to age, 61% of the \$46,760 building repair and maintenance expenses went toward HVAC repairs totaling \$28,387 and 19% for plumbing repairs totaling \$8,721. With the increase in prisoners comes the increase in prisoner related expenses. Even with the negotiated inmate medical services contract discount of 36% from 17%, commencing July 2007, with discounts totaling \$31,454, the inmate medical expenses still increased \$5,685 from last fiscal year. Inmate medicals in this specific fund, less reimbursements and discounts, resulted in a \$41,727 county responsibility. Newly implemented hiring procedure is to vaccinate all employees against Hepatitis B. Equipment purchases included a new document shredder, surveillance cameras & monitor replacements, transport restraints, utility carts, and a shop vacuum totaling \$19,582. \$85,060 was spent on a roof replacement for the detention center. Total debt service lease payments of \$202,645 were made to the Municipal Properties Corporation Fund.

4. The Emergency Medical Services Fund is used to support the operations of an advanced life support ambulance service. The fiscal year end fund balance was \$45,215. Fiscal year 2008 revenues totaled \$1,238,621. Of that, \$1,215,248 was derived from ambulance run medical billings sent to and paid from health insurance companies, Medicaid, Medicare, and individuals.

A contract with Medical Claims Assistance allows the third party administrator to bill and collect accounts receivable with a negotiated 8% collection fee totaling \$98,587. Including refunds, net collections were \$1,214,981. In July 2007, the Fiscal Court voted to raise Advanced Life Support and Basic Life Support rates by \$150 charged for each run to prospectively produce \$567,150 in annual revenues. Accounts Receivable revenue fell short of budget by \$310,000 not taking into account the 6 month billing lag time. This accounted for the majority of the \$375,400 additional dollars needed and contributed from Boyle County's General fund totaling \$847,339 from occupational tax collections to support the service.

Revenues include a \$10,000 endowment from the Catlett-Oldham Estate.

New equipment expenditures for the ambulance service consist of a 2008 chassis and ambulance remount, 3 new laptops, 5 tablet pc's for in-ambulance use, 5 tablet scanners, 4 spine boards, new fax machine, new document shredder, 6 backboards, stretcher and radios for new ambulance, and a cpr mannequin totaling \$155,881. This year paid \$16,469 on the ambulance lease issued in October 2005 with a principal of \$105,900 and an interest rate of 3.953% financed for two years. In addition, paid \$43,578 on the ambulance lease issued in October 2007 with a principal of \$112,700 and an interest rate of 4.535% financed for two years.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

4. (Continued)

Directors and staff took advantage of federal weapons of mass destruction and tactical training offered throughout the United States accumulating 3,187 hours in WOMD training and 320 hours in tactical training. This training makes Boyle County's ambulance service unique, being one of the few agencies in the state that are trained in these areas with minimal cost only to purchase special operations equipment in the amount of \$2,485 during the 2006/07 fiscal year. This training secures a regional and multi-jurisdictional unified response component that incorporates KY Hazmat Region 12 and the Bluegrass Special Operations group.

5. The General Obligation Fund is a new fund for the 2007/08 fiscal year operating as a vehicle to provide for the issuance of the Boyle County Fiscal Court's general obligation bonds series 2008 for the purpose of providing funds necessary to advance refund the outstanding lease revenue bonds series 1997 of the Boyle County Municipal Properties Corporation. The Series 2008 principal is \$4,120,000 with an average interest rate of 3.09%; total principal and interest is \$4,922,029. The Fiscal Court took action on the new issuance to capitalize over the next 10 years a present value debt service savings of \$340,941 or a net fiscal year savings of \$36,416. The final debt service payment is scheduled to be made on February 1, 2019. Future financial activity for the bond issue will be captured in a subsidiary ledger not to be made part of the Boyle County Fiscal Court's budget and financial statements.

6. The Local Government Economic Assistance Fund had a fund balance of \$71,840 which was a decrease of \$21,208 from the previous fiscal year end. Intergovernmental revenues decreased last fiscal year by \$4,011 and again this fiscal year by \$7,594. These revenues are derived from local coal and mineral taxes passed through the Commonwealth of Kentucky.

Total June 30, 2008 expenditures were \$109,442 and of that sum, road resurfacing projects of Caldwell Road and Kings Mill Road accounted for \$89,216 and \$7,570 was spent for a potable household waterline expansion on Caldwell Road. Boyle County worked cooperatively with the City of Danville to construct an emergency operations center and \$12,634 was spent from mineral monies to accomplish this goal.

7. The State Grant Fund is used for a multi-year Millennium Park project which is funded by the City of Danville, the County of Boyle, and the Parks and Recreation Department. The Fund operates as a conduit for small state grants and Boyle County General Fund contributions that have been applied to the project.

This fiscal year's projects include the construction of a park bathroom in the amount of \$16,675, a basketball court which includes paving in the amount of \$8,396, and lastly, park infrastructure electrical work totaling \$7,090. The park's portion of the June 30, 2008 fund balance is \$1,077.

This Fund is also used for the Perryville Battlefield Preservation Association 2000/2002 surplus grant that was transferred to the TEA-21 fund temporarily for upfront construction costs and transferred back in fiscal year 2006 in the amount of \$120,717. These monies are now being used for PBPA's routine operations and at June 30, 2008 year end, paid expenses totaled \$7,102. The June 30, 2008 fund balance for the PBPA is \$20,175.

Also contained within this fund was a Bluegrass Area Development Funds one-time grant passed through to the City of Junction City for city hall entrance door and window replacements paid last fiscal year 2006/07 in the amount of \$9,686. Receipt of reimbursement from the ADD for this grant was recorded this in fiscal year of \$7,460 with the difference of \$2,226 coming from Millennium Park's cash on hand.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

7. (Continued)

The Fiscal Court agreed to sponsor and administer State Budget HB380 line item grants accounted for in this fund. These grants were awarded to the following: 1.) the Humane Society Building for a laundry room addition in the amount of \$20,000, 2.) the Boyle County Public Library, applying the \$300,000 grant for the architectural and engineering services contracted for the library's renovation, and 3.) the Ephraim McDowell House and Apothecary Shop roof replacement in the amount of \$50,000.

8. The Emergency 911 Fund is used to support the operation of Boyle County's emergency operations communications. It is supported in whole by a land line fee and cellular telephone fee paid by the consumer monthly. Total revenues were \$213,665 for fiscal year 2008 noting \$11,855 was derived from interest payments. The 2008 fiscal year had a fund balance of \$387,754. The fund balance represents a \$77,920 increase from the previous fiscal year. Of the fund balance, \$211,467 is investments held in certificate of deposits earning an average of 5.25% annually.

The capital expenditure of \$35,093 was for new computers, computer aided design system reporting software, server replacement with software, facility basement backup telephone system, and global positioning system timer for computers and consoles.

9. The Jail Fund is used to primarily account for the Boyle County inmate population medical expenses. In addition, the fund includes Boyle County juvenile detention and medical costs. The Boyle Jail fund balance for June 30, 2008 was \$50,047. Total revenue was \$21,445 and of that revenue, inmates contributed to their medical costs by making co-payments of \$12,816 and the Commonwealth of Kentucky's reimbursements totaled \$8,308. Boyle County's General Fund contributed \$210,000 from occupational tax collections.

Total expenses were \$222,345 and of that amount, \$187,980 was inmate medical service expenses utilizing \$49,796 in contracted discounts from Ephraim McDowell Regional Medical Center. Inmate medical costs have increased \$22,351 from fiscal year 2007.

10. The TEA-21 Fund is a Federal Highways grant fund that operates as a conduit for historic preservation dollars funding the Forkland Community Center and the McDowell House and Apothecary Shop. The grant reimburses at 80% of qualified expenses. The Forkland Community

Center disbursed \$29,894 in door and window upgrades with reimbursements of \$10,672 from the TEA-21 grant.

The Ephraim McDowell House received \$276,275 in TEA21 reimbursements and in turn, this fund reimbursed the McDowell House for payments made up front to the contractor and architect to purchase and install a new heating, ventilation, and air conditioning system.

11. Kentucky Local Correctional Facility Construction Authority Fund originated with the building of the Boyle/ Mercer County Regional Detention Center. It is a ten year grant in the amount of \$2,140,000 paid annually at \$214,000 each year. These monies are to be used for the retirement of the Detention Center's construction debt. The grant payments from the Authority ended fiscal year 2007 but the beginning fund balance was \$357,466 to be used for future debt service payments as needed.

The fiscal year 2008 debt service lease payments of \$202,645 were made to the Municipal Properties Corporation. The source of the debt was a 1997 bond issue with a term of twenty years ending February 2019. The June 30, 2008 fund balance was \$168,446. Of that fund balance, \$161,827 is invested in certificates of deposit at an average annual interest rate of 3.55% yielding \$13,624.97 in fiscal year 2008. Management expects this grant to last through fiscal year 2009 and from that point on; these debt service payments will come directly from the Boyle and Mercer County's general funds.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS (Continued)

12. The Boyle County Municipal Properties is a blended component unit of Boyle County and was formed on July 23, 1974 by the member of the Boyle County Fiscal Court to act as an agency of the County in planning, financing, acquisition and developing of public projects and improvements. The Corporation's directors consist of the seven members of the Fiscal Court (the County Judge/Executive and six Magistrates). Each of these elected officials shall serve as a director during his or her term in public office. The fund's project was the construction of a new Government Services Center (GSC) on the Highway 127 Bypass in Danville.

This project, which was financed by a February, 1997 bond issue of \$5,935,000, consists of a new regional jail facility for Boyle and Mercer Counties and a new emergency medical service station, the Public Works facilities, and the Danville/Boyle County Recycling Center. The 1997 bond issue's rate of interest on remaining issue is 4.875% to 5.3% with bonds due February 1 and interest due February and August 1. Fiscal Year 2008 lease revenue was \$485,843.

As of March 11, 2008, this issue was called at 101% of the principal then outstanding of \$4,225,000 with interest of \$255,485 and an early payoff premium of \$39,600. The amount of \$4,034,243 received from the Series 2008 refunding was used to pay the debt service with a remaining balance of \$5,768 transferred back to the 2008 bond sinking fund to be applied to future debt service payments. The Corporation transferred the title to the property on which the GSC is constructed to the Boyle County Fiscal Court. The net assets / fund balance at the end of June 2008 is \$0. The Boyle County Fiscal Court will continue to keep the Corporation in active compliance with the office of the Secretary of State.

Proprietary Funds Overview. Boyle County's proprietary fund statements provide the same type of information found in the business-type activities column of the government-wide statements, but in more detail.

Boyle County has one enterprise fund.

The Jail Canteen Fund. The Jail Canteen Fund had net assets of \$14,732. The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates.

Boyle has one internal service fund.

The Health Insurance Fund supports Boyle County's partially self-funded employee health insurance program. The County transfers from each fund (General, Road, Joint Jail and EMS) the amount for a single policy for each employee who is eligible and elects to receive coverage. Any employee who selected a plan that is not a single plan (i.e. family) has the additional premium deducted from their paychecks. The fund pays for all employee medical expenses during the plan year. The June 30, 2008 fund balance was \$227,717.

Between the fiscal year of 2004 and 2007, the General Fund loaned the Health Insurance Fund \$497,500 to help pay under-funded employee health insurance claims. It is the goal of Boyle County to repay those dollars back to the General fund as the Health Insurance Fund gains a stable fund balance.

GENERAL FUND BUDGETARY HIGHLIGHTS

Budgetary comparison schedules include information about both the original budget and the amended budget. Generally, budgets are amended to add projects that were not anticipated when the budget was first adopted. Revenue budgets are usually estimated lower to allow budgetary flexibility for additional projects.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

GENERAL FUND BUDGETARY HIGHLIGHTS (Continued)

Boyle County's original budget was \$15,607,431. The budget was amended one time to include the General Obligation Bond Fund in the amount of \$4,126,654 for a total of \$19,734,085 during the fiscal year 2008. Actual operating revenues were \$2,037,803.83 more than amount originally budgeted by the County.

This increase was primarily from the following:

1. a voting machine grant of \$112,500 received but not disbursed until fiscal year 2009,
2. General Fund tax collections of an additional \$513,308,
3. excess fee collections of an additional \$272,189,
4. a Kentucky Infrastructure Authority waterline expansion grant reimbursement of \$97,000,
5. investment interest of an additional \$30,000,
6. the General, Financing Obligation, and Local Economic Government Assistance Funds 2007 fund balances exceeded the 2008 budget by \$155,880,
7. received an unanticipated road resurfacing grant from the State of \$497,207,
8. the Joint Jail Fund held more state inmates than anticipated generating \$265,873, and
9. employee health insurance policy renewal experienced a premium increase and required \$271,848 more revenue to fund claims.

Actual operating expenditures were \$2,032,261 less than amount originally budgeted by Boyle County.

1. \$2,677,189 can be attributed to:
 - a. unused budget reserves in the General, Emergency 911, Financing Obligation, and Local Economic Government Assistance Funds
2. \$644,928 was monies spent over budget for:
 - a. an unanticipated road resurfacing grant from the State,
 - b. Ephraim McDowell House TEA-21 grant project expenses of \$48,141,
 - c. Regional Detention Center Jail roof replacement, and
 - d. increases to the single health insurance premium, fuel prices, and electric & gas utilities.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Boyle County's investment in capital assets for its government and business-type activities as of June 30, 2008, amounts to \$10,490,553 for governmental activities and \$9,486 for business-type activities (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements to land other than buildings, machinery and equipment, vehicles and current year infrastructure additions.

Major capital asset events during fiscal year 2008 were due to infrastructure and land improvement projects reported in the governmental fund highlights portion of this document. Incorporated in the Joint Jail Fund was the Series 1997 bond issue of the Municipal Properties Corporation that was consolidated into the Series 2008 general obligation bond issue and along with that bond refunding, the Municipal Properties Corporation transferred the Government Services Center to Boyle County along with all equipment purchased with the Series 1997 bond issue.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

CAPITAL ASSET AND DEBT ADMINISTRATION (Continued)

Capital Assets

Boyle County's capital assets, net of accumulated depreciation are summarized below:

**Table 5
Capital Assets Comparison, Net of Accumulated
Depreciation - Governmental Activities**

| | <u>2007</u> | <u>2008</u> | <u>Variance</u> | <u>%</u> |
|----------------------------|---------------------|----------------------|-------------------|----------|
| Land and Land Improvements | \$ 50,184 | \$ 174,602 | \$ 124,418 | 2.48 |
| Buildings | 5,163,732 | 5,199,698 | 35,966 | 0.01 |
| Machinery and Equipment | 1,198,960 | 1,240,198 | 41,238 | 0.03 |
| Vehicles | 848,887 | 983,629 | 134,742 | 0.16 |
| Infrastructure | 2,337,983 | 2,892,426 | 554,443 | 0.24 |
| Total Net Capital Assets | <u>\$ 9,599,746</u> | <u>\$ 10,490,553</u> | <u>\$ 890,807</u> | 0.09 |

**Table 6
Capital Assets Comparison, Net of Accumulated
Depreciation - Business Type Activities**

| | <u>2007</u> | <u>2008</u> | <u>Variance</u> | <u>%</u> |
|--------------------------|------------------|-----------------|-------------------|----------|
| Vehicles | \$ 11,852 | \$ 9,486 | \$ (2,366) | (0.20) |
| Total Net Capital Assets | <u>\$ 11,852</u> | <u>\$ 9,486</u> | <u>\$ (2,366)</u> | (0.20) |

Boyle County Fiscal Court's Outstanding Debt - Governmental Activities

| | <u>2007</u> | <u>2008</u> | <u>Variance</u> | <u>%</u> |
|-----------------------|---------------------|---------------------|--------------------|----------|
| Financing Obligations | \$ 50,333 | \$ 109,200 | \$ 58,867 | 1.17 |
| Bonds | 4,225,000 | 4,120,000 | (105,000) | (0.02) |
| Total | <u>\$ 4,275,333</u> | <u>\$ 4,229,200</u> | <u>\$ (46,133)</u> | (0.01) |

At the end of the 2008 fiscal year, Boyle County had total long-term debt outstanding of \$4,229,200 and the amount of this debt due within the next year is \$421,500. The County's debt was decreased by \$46,133 during the fiscal year 2008. This debt is for the construction of the Government Services Center which houses the detention center, recycling center, public works department and the Danville station for emergency medical services. In addition to the GSC, the outstanding debt figure includes a remounted ambulance and a new dump truck.

**Boyle County Fiscal Court
Management Discussion And Analysis
June 30, 2008
(Continued)**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Since 2008, much of the industrialized world entered into a recession sparked by a financial crisis which was caused in part by the combination of a real estate bubble in the United States and the securitization of real estate mortgages in a way which made the riskiness of mortgage-backed securities difficult to assess. Sub-prime loan losses in 2007 exposed other risky loans and over-inflated asset prices. With the losses mounting, a panic developed in inter-bank lending. The precarious financial situation was made more difficult by a sharp increase in oil and food prices. As share and housing prices declined many large and well established investment and commercial banks in the United States and Europe suffered huge losses and even faced bankruptcy, resulting in massive public financial assistance. A global recession has resulted in a sharp drop in international trade, rising unemployment and slumping commodity prices.

Dollar indices for 2007 primary commodities were \$147 and increased to \$184 in 2008. Primary commodities for 2006 were \$116.

As of October 31, 2008, the unemployment rate in Boyle County was 6.5% which is .7% higher than the 5.8% rate from the previous year. This compares unfavorably to the national rate of 6.6% and favorably to the state rate of 6.3% for the same period.

In December 2008, the National Bureau of Economic Research declared that the United States had been in recession since December 2007, and several economists expressed their concern that there is no end in sight for the downturn and that recovery may not appear until as late as 2011. The recession is considered the worst since the Great Depression of the 1930s.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of Boyle County's finances and to show the County's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Boyle County Treasurer's Office, 321 W. Main Street, Danville, KY 40422, telephone number (859) 238-1118 between the hours of 8:30 am and 4:00 pm.

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

BOYLE COUNTY
STATEMENT OF NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

| | Primary Government | | |
|--------------------------------------------------|---------------------------|----------------------|---------------|
| | Governmental | Business-Type | |
| | Activities | Activities | Totals |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and Cash Equivalents | \$ 4,070,052 | \$ 5,246 | \$ 4,075,298 |
| Total Current Assets | 4,070,052 | 5,246 | 4,075,298 |
| Noncurrent Assets: | | | |
| Capital Assets - Net of Accumulated Depreciation | | | |
| Land and Land Improvements | 174,602 | | 174,602 |
| Buildings | 5,199,698 | | 5,199,698 |
| Machinery and Equipment | 1,240,198 | | 1,240,198 |
| Vehicles | 983,629 | 9,486 | 993,115 |
| Infrastructure | 2,892,426 | | 2,892,426 |
| Total Noncurrent Assets | 10,490,553 | 9,486 | 10,500,039 |
| Total Assets | 14,560,605 | 14,732 | 14,575,337 |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Financing Obligations Payable | 91,500 | | 91,500 |
| Bonds Payable | 330,000 | | 330,000 |
| Total Current Liabilities | 421,500 | | 421,500 |
| Noncurrent Liabilities: | | | |
| Financing Obligations Payable | 17,700 | | 17,700 |
| Bonds Payable | 3,790,000 | | 3,790,000 |
| Total Noncurrent Liabilities | 3,807,700 | | 3,807,700 |
| Total Liabilities | 4,229,200 | | 4,229,200 |
| NET ASSETS | | | |
| Invested in Capital Assets, | | | |
| Net of Related Debt | 6,261,353 | 9,486 | 6,270,839 |
| Restricted For: | | | |
| Debt Service | 175,934 | | 175,934 |
| Grant Projects | 1 | | 1 |
| Unrestricted | 3,894,117 | 5,246 | 3,899,363 |
| Total Net Assets | \$ 10,331,405 | \$ 14,732 | \$ 10,346,137 |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

| | | Program Revenues Received | | |
|--------------------------------------------|---------------|---------------------------|------------------------------------------|----------------------------------------|
| Functions/Programs Reporting Entity | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government: | | | | |
| Governmental Activities: | | | | |
| General Government | \$ 4,167,401 | \$ 134,742 | \$ 987,781 | \$ 112,500 |
| Protection to Persons and Property | 3,543,485 | 2,687,635 | 919,550 | |
| General Health and Sanitation | 1,146,308 | 147,417 | | |
| Social Services | 111,102 | | | |
| Recreation and Culture | 944,178 | | | 286,947 |
| Transportation Facilities and Services | 15,162 | | | |
| Roads | 196,146 | | 747,659 | 497,207 |
| Airports | 15,127 | | | |
| Interest on Long-Term Debt | 473,323 | | | |
| Capital Projects | 471,782 | | | |
| Total Governmental Activities | 11,084,014 | 2,969,794 | 2,654,990 | 896,654 |
| Business-type Activities: | | | | |
| Jail Canteen | 199,777 | 150,104 | | |
| Total Business-type Activities | 199,777 | 150,104 | | |
| Total Primary Government | \$ 11,283,791 | \$ 3,119,898 | \$ 2,654,990 | \$ 896,654 |
| General Revenues: | | | | |
| Taxes: | | | | |
| Real Property Taxes | | | | |
| Personal Property Taxes | | | | |
| Motor Vehicle Taxes | | | | |
| Occupational Taxes | | | | |
| Other Taxes | | | | |
| Excess Fees | | | | |
| Miscellaneous Revenues | | | | |
| Interest Received | | | | |
| Total General Revenues | | | | |
| Change in Net Assets | | | | |
| Net Assets - Beginning (Restated) (Note 9) | | | | |
| Net Assets - Ending | | | | |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

| Net (Expenses) Revenues and Changes in Net Assets | | |
|--------------------------------------------------------------|-------------------------------------|----------------|
| Primary Government | | |
| Governmental Activities | Business-Type Activities | Totals |
| \$ (2,932,378) | \$ | \$ (2,932,378) |
| 63,700 | | 63,700 |
| (998,891) | | (998,891) |
| (111,102) | | (111,102) |
| (657,231) | | (657,231) |
| (15,162) | | (15,162) |
| 1,048,720 | | 1,048,720 |
| (15,127) | | (15,127) |
| (473,323) | | (473,323) |
| (471,782) | | (471,782) |
| (4,562,576) | | (4,562,576) |
| | (49,673) | (49,673) |
| | (49,673) | (49,673) |
| (4,562,576) | (49,673) | (4,612,249) |
| 736,032 | | 736,032 |
| 124,285 | | 124,285 |
| 96,999 | | 96,999 |
| 3,993,174 | | 3,993,174 |
| 329,805 | | 329,805 |
| 420,140 | | 420,140 |
| 588,547 | 49,443 | 637,990 |
| 103,814 | | 103,814 |
| 6,392,796 | 49,443 | 6,442,239 |
| 1,830,220 | (230) | 1,829,990 |
| 8,501,185 | 14,962 | 8,516,147 |
| \$ 10,331,405 | \$ 14,732 | \$ 10,346,137 |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

June 30, 2008

| | General Fund | Road Fund | Joint Jail Fund | General Obligation Fund |
|---------------------------|-------------------------|----------------------|--------------------------------|----------------------------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 2,908,193 | \$ 96,700 | \$ 85,400 | \$ 7,488 |
| Total Assets | <u>2,908,193</u> | <u>96,700</u> | <u>85,400</u> | <u>7,488</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Encumbrances | 167,285 | 8,080 | 44,778 | |
| Debt Service | | | | 7,488 |
| Unreserved: | | | | |
| General Fund | 2,740,908 | | | |
| Special Revenue Funds | | 88,620 | 40,622 | |
| Total Fund Balances | <u>\$ 2,908,193</u> | <u>\$ 96,700</u> | <u>\$ 85,400</u> | <u>\$ 7,488</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
June 30, 2008
(Continued)

| Emergency 911 Fund | Emergency Medical Services Fund | Non- Major Funds | Total Governmental Funds |
|-----------------------------------|----------------------------------------------------|---------------------------------|-----------------------------------------|
| <u>\$ 387,754</u> | <u>\$ 45,215</u> | <u>\$ 311,585</u> | <u>\$ 3,842,335</u> |
| <u>387,754</u> | <u>45,215</u> | <u>311,585</u> | <u>3,842,335</u> |
| 5,776 | 9,305 | 26,378 | 261,602 |
| | | 168,446 | 175,934 |
| | | | 2,740,908 |
| <u>381,978</u> | <u>35,910</u> | <u>116,761</u> | <u>663,891</u> |
| <u>\$ 387,754</u> | <u>\$ 45,215</u> | <u>\$ 311,585</u> | <u>\$ 3,842,335</u> |

Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------|
| Total Fund Balances | \$ 3,842,335 |
| Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because: | |
| Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds. | 16,090,849 |
| Accumulated Depreciation | (5,600,296) |
| Internal Service Fund Is Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Assets and Liabilities Are Included in Governmental Activities on the Statement of Net Assets. | 227,717 |
| Long-term Debt Is Not Due and Payable in the Current Period and, Therefore, Is Not Reported in the Funds. | |
| Financing Obligations | (109,200) |
| Bonded Debt | <u>(4,120,000)</u> |
| Net Assets of Governmental Activities | <u>\$ 10,331,405</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

| | General Fund | Road Fund | Joint Jail Fund | General Obligation Fund |
|-----------------------------------------------------------------------------------------------|-------------------------|----------------------|--------------------------------|----------------------------------------|
| REVENUES | | | | |
| Taxes | \$ 5,206,429 | \$ | \$ | \$ |
| Excess Fees | 420,140 | | | |
| Licenses and Permits | 40,440 | | | |
| Intergovernmental | 784,186 | 1,200,461 | 2,031,790 | |
| Charges for Services | 92,418 | | 160,583 | |
| Miscellaneous | 554,948 | 10,019 | 146,026 | |
| Interest | 67,529 | 2,531 | 782 | |
| Total Revenues | <u>7,166,090</u> | <u>1,213,011</u> | <u>2,339,181</u> | |
| EXPENDITURES | | | | |
| General Government | 2,406,518 | | | |
| Protection to Persons and Property | 134,166 | | 2,019,036 | |
| General Health and Sanitation | 1,264,856 | | | |
| Social Services | 84,000 | | | |
| Recreation and Culture | 255,281 | | | |
| Transportation Facilities and Services | | 15,162 | | |
| Roads | | 698,434 | | |
| Airports | 15,127 | | | |
| Debt Service | | 34,141 | | 69,397 |
| Capital Projects | | 562,115 | | |
| Administration | 132,861 | 257,972 | 769,857 | |
| Total Expenditures | <u>4,292,809</u> | <u>1,567,824</u> | <u>2,788,893</u> | <u>69,397</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>2,873,281</u> | <u>(354,813)</u> | <u>(449,712)</u> | <u>(69,397)</u> |
| Other Financing Sources (Uses) | | | | |
| Payment to Escrow Agent - Bond Principal | | | | |
| Bond Sale Proceeds | | | | 4,120,000 |
| Bond Discount | | | | (14,652) |
| Transfers Out | (2,024,140) | | (202,645) | (4,034,245) |
| Transfers In | | 375,000 | 703,576 | 5,782 |
| Financing Obligation Proceeds | | 36,500 | | |
| Total Other Financing Sources (Uses) | <u>(2,024,140)</u> | <u>411,500</u> | <u>500,931</u> | <u>76,885</u> |
| Net Change in Fund Balances | 849,141 | 56,687 | 51,219 | 7,488 |
| Fund Balances - Beginning (Restated) | <u>2,059,052</u> | <u>40,013</u> | <u>34,181</u> | |
| Fund Balances - Ending | <u>\$ 2,908,193</u> | <u>\$ 96,700</u> | <u>\$ 85,400</u> | <u>\$ 7,488</u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

| Emergency 911 Fund | Emergency Medical Services Fund | Non- Major Funds | Total Governmental Funds |
|-----------------------------------|----------------------------------------------------|---------------------------------|-----------------------------------------|
| \$ 73,683 | \$ | \$ | \$ 5,280,112 |
| | | | 420,140 |
| | | | 40,440 |
| 128,127 | 10,256 | 710,590 | 4,865,410 |
| | 1,215,248 | | 1,468,249 |
| | 12,109 | 12,982 | 736,084 |
| 11,855 | 1,008 | 20,093 | 103,798 |
| <u>213,665</u> | <u>1,238,621</u> | <u>743,665</u> | <u>12,914,233</u> |
| 135,745 | | | 2,542,263 |
| | 1,330,686 | 234,129 | 3,718,017 |
| | | 7,570 | 1,272,426 |
| | | 27,102 | 111,102 |
| | | 688,330 | 943,611 |
| | | | 15,162 |
| | | 89,216 | 787,650 |
| | | | 15,127 |
| | 60,047 | 485,843 | 649,428 |
| | | | 562,115 |
| | 650,012 | 872 | 1,811,574 |
| <u>135,745</u> | <u>2,040,745</u> | <u>1,533,062</u> | <u>12,428,475</u> |
| <u>77,920</u> | <u>(802,124)</u> | <u>(789,397)</u> | <u>485,758</u> |
| | | (4,034,242) | (4,034,242) |
| | | | 4,120,000 |
| | | | (14,652) |
| | | (208,413) | (6,469,443) |
| | 655,000 | 4,730,085 | 6,469,443 |
| | 112,700 | | 149,200 |
| | <u>767,700</u> | <u>487,430</u> | <u>220,306</u> |
| 77,920 | (34,424) | (301,967) | 706,064 |
| 309,834 | 79,639 | 613,552 | 3,136,271 |
| <u>\$ 387,754</u> | <u>\$ 45,215</u> | <u>\$ 311,585</u> | <u>\$ 3,842,335</u> |

The accompanying notes are an integral part of the financial statements.

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**BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

For The Year Ended June 30, 2008

BOYLE COUNTY
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

Reconciliation to the Statement of Activities:

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Net Change in Fund Balances - Total Governmental Funds | \$ 706,064 |
| Amounts Reported for Governmental Activities in the Statement of Activities Are Different Because Governmental Funds Report Capital Outlays as Expenditures. However, in the Statement of Activities the Cost of those Assets Are Allocated Over Their Estimated Useful Lives and Reported as Depreciation Expense. | |
| Assets Disposed Of, Net Book Value | (6,624) |
| Capital Outlay | 1,410,008 |
| Depreciation Expense | (509,416) |
| Internal Service Funds Are Used by Management to Charge the Cost of Health Insurance to Individual Funds. The Net Revenues (Expenses) of this Fund Are Reported with Governmental Activities. | 184,055 |
| The Issuance of Long-term Debt Provides Current Financial Resources to Governmental Funds While Principal Payments on Long-term Debt Are Expensed in the Governmental Funds as a Use of Current Financial Resources. These Transactions, However, Have No Effect on Net Assets. | |
| Financing Obligations Proceeds | (149,200) |
| General Obligation Bond Proceeds | (4,120,000) |
| Principal Payment To Escrow Agent | 3,960,000 |
| Financing Obligations Principal Payments | 90,333 |
| Bond Principal Payment | <u>265,000</u> |
| Change in Net Assets of Governmental Activities | <u>\$ 1,830,220</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

BOYLE COUNTY
STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS

June 30, 2008

| | Business-Type Activities - Enterprise Fund | Governmental Activities - Internal Service Fund |
|-------------------------------|---------------------------------------------------------------|------------------------------------------------------------------------|
| | Jail Canteen Fund | Health Insurance Fund |
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 5,246 | \$ 227,717 |
| Total Current Assets | <u>5,246</u> | <u>227,717</u> |
| Noncurrent Assets: | | |
| Capital Assets: | | |
| Vehicles | 19,893 | |
| Less Accumulated Depreciation | <u>(10,407)</u> | |
| Total Noncurrent Assets | <u>9,486</u> | |
| Total Assets | <u>14,732</u> | <u>227,717</u> |
| Net Assets | | |
| Invested in Capital Assets, | | |
| Net of Related Debt | 9,486 | |
| Restricted | | 227,717 |
| Unrestricted | <u>5,246</u> | |
| Total Net Assets | <u>\$ 14,732</u> | <u>\$ 227,717</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

BOYLE COUNTY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS -
PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Fund | Governmental Activities- Internal Service Fund |
|-----------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------|
| | Jail Canteen Fund | Health Insurance Fund |
| Operating Revenues | | |
| Canteen Receipts | \$ 150,104 | \$ |
| Refunds/Reimbursements | | 1,422,327 |
| Other Receipts | 49,443 | |
| Total Operating Revenues | <u>199,547</u> | <u>1,422,327</u> |
| Operating Expenses | | |
| Cost of Sales | 164,342 | |
| Administration Fees | | 1,239,106 |
| Personnel Costs | 21,819 | |
| Educational and Recreational | 8,206 | |
| Depreciation | 2,366 | |
| Miscellaneous | 3,044 | |
| Total Operating Expenses | <u>199,777</u> | <u>1,239,106</u> |
| Operating Income (Loss) | <u>(230)</u> | <u>183,221</u> |
| Nonoperating Revenues (Expenses) | | |
| Interest | | <u>834</u> |
| Change In Net Assets | (230) | 184,055 |
| Total Net Assets - Beginning | 14,962 | 43,662 |
| Total Net Assets - Ending | <u>\$ 14,732</u> | <u>\$ 227,717</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

BOYLE COUNTY
STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS

For The Year Ended June 30, 2008

| | Business-Type Activities - Enterprise Fund | Governmental Activities- Internal Service Fund |
|----------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------|
| | Jail Canteen Fund | Health Insurance Fund |
| Cash Flows From Operating Activities | | |
| Receipts From Customers | \$ 150,104 | \$ |
| Other Receipts | 49,443 | 1,422,327 |
| Cost of Sales | (164,342) | |
| Administrative Fees | | (1,239,106) |
| Personnel Costs | (21,819) | |
| Educational and Recreational | (8,206) | |
| Miscellaneous | (3,044) | |
| Net Cash Provided by Operating Activities | <u>2,136</u> | <u>183,221</u> |
| Cash Flows From Investing Activities | | |
| Interest Earned | | 834 |
| Net Cash Provided by Investing Activities | | <u>834</u> |
| Net Increase in Cash and Cash Equivalents | 2,136 | 184,055 |
| Cash and Cash Equivalents - July 1, 2007 | <u>3,110</u> | <u>43,662</u> |
| Cash and Cash Equivalents - June 30, 2008 | <u><u>\$ 5,246</u></u> | <u><u>\$ 227,717</u></u> |

The accompanying notes are an integral part of the financial statements.

BOYLE COUNTY
STATEMENT OF CASH FLOWS -
PROPRIETARY FUND - MODIFIED CASH BASIS
For The Year Ended June 30, 2008
(Continued)

| | Business-Type Activities - Enterprise Fund | Governmental Activities- Internal Service Fund |
|-------------------------------------------------------------------------------------------------------|---------------------------------------------------------------|-------------------------------------------------------------------|
| Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities | Jail Canteen Fund | Health Insurance Fund |
| Operating Income (Loss) | \$ (230) | \$ 183,221 |
| Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities | | |
| Depreciation Expense | <u>2,366</u> | <u></u> |
| Net Cash Provided by Operating Activities | <u>\$ 2,136</u> | <u>\$ 183,221</u> |

The accompanying notes are an integral part of the financial statements.

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BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

BOYLE COUNTY
STATEMENT OF FIDUCIARY FUND NET ASSETS - MODIFIED CASH BASIS

June 30, 2008

| | <u>Agency Fund</u> |
|------------------------------------|---------------------------|
| | Jail |
| | Inmate |
| | <u>Fund</u> |
| Assets | |
| Cash and Cash Equivalents | \$ 84,261 |
| Total Assets | <u>84,261</u> |
| Liabilities | |
| Amounts Held In Custody For Others | <u>84,261</u> |
| Total Liabilities | <u>\$ 84,261</u> |

The accompanying notes are an integral part of the financial statements.

**INDEX FOR NOTES
TO THE FINANCIAL STATEMENTS**

| | | |
|---------|-------------------------------------------------|----|
| NOTE 1. | SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES..... | 55 |
| NOTE 2. | DEPOSITS | 62 |
| NOTE 3. | CAPITAL ASSETS..... | 63 |
| NOTE 4. | LONG-TERM DEBT | 64 |
| NOTE 5. | EMPLOYEE RETIREMENT SYSTEM | 66 |
| NOTE 6. | DEFERRED COMPENSATION | 67 |
| NOTE 7. | INSURANCE | 67 |
| NOTE 8. | HEALTH INSURANCE FUND..... | 67 |
| NOTE 9. | PRIOR PERIOD ADJUSTMENTS..... | 67 |

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS

June 30, 2007

Note 1. Summary of Significant Accounting Policies

A. Basis of Presentation

The county presents its government-wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance (Reserved for Encumbrances).

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and the corresponding depreciation expense is included on the Statement of Activities.

B. Reporting Entity

The financial statements of Boyle County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government. All other component units are discretely presented. The County has no discretely presented component units.

Blended Component Units

The following legally separate organization provided their services exclusively to the primary government, and the fiscal court is able to impose its will on this organization. This organization's balances and transactions are reported as though they are part of the county's primary government using the blending method.

Boyle County Municipal Properties Corporation

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

B. Reporting Entity (Continued)

Blended Component Units (Continued)

Boyle County Municipal Properties Corporation (Corporation) is a legally separate entity established for the purpose of construction of the county jail building and the related long-term debt service. The corporation's governing body consists entirely of fiscal court members. Therefore, the fiscal court is financially accountable and legally obligated for the debt of the Boyle County Municipal Properties Corporation. Financial information for the Corporation is blended within Boyle County's financial statement and is included as a non-major governmental fund. The Boyle County Municipal Properties Corporation's separately issued audit report can be obtained by writing Boyle County Municipal Properties Corporation, 321 W. Main Street, Danville, KY 40422

C. Boyle County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Boyle County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of Boyle County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

D. Government-wide and Fund Financial Statements

The primary government reports governmental activities using the economic resources measurement focus and the modified cash basis of accounting. Revenues are recognized when received and expenses are recognized when paid, except for the recognition of depreciation expense on the statement of activities.

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to lien and sale the 3rd Saturday in April following the delinquency date.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are at least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

Governmental Funds

The primary government reports the following major governmental funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

Road Fund - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Governmental Funds (Continued)

Joint Jail Fund - The primary purpose of this fund is to account for the jail expenses of Boyle and Mercer Counties. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

General Obligation Fund – This is for the accumulation of resources for, and the payment of general long-term debt principal and interest associated with the construction of the government services center, which consists of the regional jail facility and emergency medical and road maintenance facilities.

Emergency 911 Fund – This fund is used to support the operation of the County's emergency operations communications. The fund is supported in whole by land line and cellular telephone fees paid monthly by consumers.

Emergency Medical Services Fund - The primary purpose of this fund is to account for the ambulance receipts and expenditures. The primary sources of revenue are grants and charges for services.

The primary government also has the following non-major funds: Local Government Economic Assistance Fund, State Grant Fund, Kentucky Local Correctional Facilities Construction Authority Fund, Jail Fund, TEA-21 Fund, and Boyle County Municipal Properties Corporation.

Special Revenue Funds:

The Road Fund, Joint Jail Fund, Emergency Medical Services Fund, Local Government Economic Assistance Fund, State Grant Fund, Emergency 911 Fund, Jail Fund, and TEA-21 Fund are presented as special revenue funds. Special revenue funds are to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

Debt Service Funds:

The General Obligation Fund, Kentucky Local Correctional Facilities Construction Authority Fund, and the Boyle County Municipal Properties Corporation are presented as debt service funds. Debt service funds are to account for the accumulation of resources for, and the payment of general long-term debt principal and interest.

Proprietary Funds

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

The primary government reports the following major proprietary funds:

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Government-wide and Fund Financial Statements (Continued)

Proprietary Funds (Continued)

Enterprise Fund

The primary government reports the following enterprise fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

Internal Service Fund

The primary government reports the following internal service fund:

Health Insurance Fund - This fund accounts for the goods or services provided by one governmental department or agency to another. The Health Insurance Fund of the fiscal court is reported as an internal service fund.

Fiduciary Funds

Fiduciary funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments. The county's agency fund is used to account for monies held by the county in the Jail Inmate Fund for custodial purposes only. Unlike other funds, the agency fund reports assets and liabilities only; therefore, it has no measurement focus.

The primary government reports the following fiduciary fund:

Jail Inmate Fund - This fund accounts for funds received from the inmates.

E. Deposits and Investments

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

| | Capitalization Threshold | Useful Life (Years) |
|-------------------------------------|-----------------------------|------------------------|
| Land Improvements | \$ 7,500 | 10-45 |
| Buildings and Building Improvements | \$ 20,000 | 10-60 |
| Machinery and Equipment | \$ 1,000 | 3-20 |
| Vehicles | \$ 1,000 | 3-12 |
| Infrastructure | \$ 5,000 | 10-40 |

G. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental fund types recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

H. Fund Equity

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

H. Fund Equity (Continued)

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

I. Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the General Obligation Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from these funds annually and transfers are budgeted in the General Fund Type to comply with these requirements.

The State Local Finance Officer does not require the Jail Canteen Fund and the Jail Inmate Agency Fund to be budgeted because the fiscal court does not approve the expenses made from these funds.

J. Related Organizations, Joint Venture, and Jointly Governed Organizations

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following is considered a related organization of Boyle County Fiscal Court: Water District.

A legal entity or other organization that results from a contractual agreement and that is owned, operated, or governed by two or more participants as a separate activity subject to joint control, in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility is a joint venture. Based upon these criteria, the following are considered joint ventures of the Boyle County Fiscal Court: Parks and Recreation and Danville-Boyle County Economic Development Partnership, Inc.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 2. Deposits

The primary government and component unit maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1) (d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk-Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the County's deposits may not be returned to it. The County does not have a deposit policy for custodial credit risk but rather follows the requirements of KRS 41.240(4). As of June 30, 2008, \$1,105,652 of public funds were exposed to custodial credit risk because the bank did not adequately collateralize the county's deposits in accordance with the security agreement:

- Uninsured and Uncollateralized \$1,105,652

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets

Capital asset activity for the year ended June 30, 2008 was as follows:

| | Reporting Entity | | | |
|-------------------------------------------------|----------------------|-------------------|-------------------|----------------------|
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Primary Government: | | | | |
| <u>Governmental Activities:</u> | | | | |
| Capital Assets Not Being Depreciated: | | | | |
| Land | \$ 33,000 | \$ 126,020 | \$ | \$ 159,020 |
| Total Capital Assets Not Being Depreciated | 33,000 | 126,020 | | 159,020 |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 18,648 | | | 18,648 |
| Buildings and Improvements | 7,137,310 | 144,171 | | 7,281,481 |
| Machinery and Equipment | 2,405,653 | 206,450 | (26,900) | 2,585,203 |
| Vehicles | 1,579,425 | 272,467 | | 1,851,892 |
| Infrastructure | 3,533,705 | 660,900 | | 4,194,605 |
| Total Capital Assets Being Depreciated | 14,674,741 | 1,283,988 | (26,900) | 15,931,829 |
| Less Accumulated Depreciation For: | | | | |
| Land Improvements | (1,464) | (1,602) | | (3,066) |
| Buildings and Improvements | (1,973,578) | (108,205) | | (2,081,783) |
| Machinery and Equipment | (1,206,693) | (158,588) | 20,276 | (1,345,005) |
| Vehicles | (730,538) | (137,725) | | (868,263) |
| Infrastructure | (1,198,883) | (103,296) | | (1,302,179) |
| Total Accumulated Depreciation | (5,111,156) | (509,416) | 20,276 | (5,600,296) |
| Total Capital Assets, Being Depreciated, Net | 9,563,585 | 774,572 | (6,624) | 10,331,533 |
| Governmental Activities Capital Assets, Net | <u>\$ 9,596,585</u> | <u>\$ 900,592</u> | <u>\$ (6,624)</u> | <u>\$ 10,490,553</u> |
| <u>Business-Type Activities:</u> | | | | |
| Capital Assets, Being Depreciated: | | | | |
| Vehicles | \$ 19,893 | \$ | \$ | \$ 19,893 |
| Total Capital Assets Being Depreciated | 19,893 | | | 19,893 |
| Less Accumulated Depreciation For: | | | | |
| Vehicles | (8,041) | (2,366) | | (10,407) |
| Total Accumulated Depreciation | (8,041) | (2,366) | | (10,407) |
| Total Capital Assets, Being Depreciated, Net | 11,852 | (2,366) | | 9,486 |
| Business-Type Activities Capital Assets, Net | \$ 11,852 | \$ (2,366) | \$ 0 | \$ 9,486 |

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 3. Capital Assets (Continued)

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities:

| | |
|----------------------------------------------------------------|-------------------|
| General Government | \$ 54,919 |
| Protection to Persons and Property | 266,136 |
| General Health and Sanitation | 24,031 |
| Recreation and Culture | 567 |
| Roads, Including Depreciation of General Infrastructure Assets | <u>163,763</u> |
| Total Depreciation Expense - Governmental Activities | <u>\$ 509,416</u> |

Business-Type Activities:

| | |
|-------------------------------------------------------|-----------------|
| Jail Canteen | <u>\$ 2,366</u> |
| Total Depreciation Expense - Business-Type Activities | <u>\$ 2,366</u> |

Note 4. Long-term Debt

A. Bonds Series 2008

The Boyle County Fiscal Court issued general obligation bonds, dated March 11, 2008, and payable in 11 annual installments beginning February 1, 2009, with semi-annual interest payments on the first of August and February at varying rates from 3.00 % to 3.25%. The fiscal court issued the bonds for the purpose of providing funds to refund and redeem the Lease Revenue Bonds, Series 1997 which were used to finance the costs of a government services center, consisting of a regional jail facility and emergency medical and road maintenance facilities. The current refunding is being carried out to achieve debt service savings and to remove certain encumbrances on the government services center.

Call Provisions:

2008 series bonds maturing on and after February 1, 2019, are subject to redemption by the County, at its option (and upon its written discretion to the Trustee) prior to maturity on February 1, 2018 and on any date thereafter in whole, or from time to time, in increments of \$5,000 and in any order of maturity (less than all of a single maturity to be selected by lot by the Trustee) at a redemption price equal to 100% of the principal amount plus accrued interest to the redemption date.

As of June 30, 2008 the outstanding balance was \$4,120,000. Future principal and interest requirements are:

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

A. Bond Series 2008 (Continued)

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|-------------------|
| | Principal | Interest |
| 2009 | \$ 330,000 | \$ 113,531 |
| 2010 | 330,000 | 117,823 |
| 2011 | 340,000 | 107,923 |
| 2012 | 350,000 | 97,723 |
| 2013 | 360,000 | 87,223 |
| 2014-2018 | 1,975,000 | 263,668 |
| 2019 | 435,000 | 14,138 |
| Totals | <u>\$ 4,120,000</u> | <u>\$ 802,029</u> |

B. Ambulance

On October 1, 2007, the Boyle County Fiscal Court entered into a loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of an ambulance. The principal was \$112,700 at an effective interest rate of 4.535 percent for a period of two years, with principal and interest paid monthly. The principal outstanding as of June 30, 2008 was \$72,700. Future principal and interest requirements are:

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|-----------------|
| | Principal | Interest |
| 2009 | \$ 55,000 | \$ 2,040 |
| 2010 | 17,700 | 220 |
| Totals | <u>\$ 72,700</u> | <u>\$ 2,260</u> |

C. Dump Truck

On June 9, 2008, the Boyle County Fiscal Court entered into a loan agreement with Kentucky Association of Counties Leasing Trust (KACoLT) for the purchase of a dump truck. The principal was \$36,500 at an effective interest rate of 2.715 percent for a period of two years, with principal paid annually and interest paid monthly. The principal outstanding as of June 30, 2007 was \$36,500. Future principal and interest requirements are:

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 4. Long-term Debt (Continued)

C. Dump Truck (Continued)

| Fiscal Year Ended June 30 | Governmental Activities | |
|------------------------------|-------------------------|---------------|
| | Principal | Interest |
| 2009 | \$ 36,500 | \$ 819 |
| Totals | <u>\$ 36,500</u> | <u>\$ 819</u> |

D. Changes In Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

| | Beginning Balance | Additions | Reductions | Ending Balance | Due Within One Year |
|--------------------------------------|----------------------|--------------------|--------------------|---------------------|------------------------|
| Primary Government: | | | | | |
| <u>Governmental Activities:</u> | | | | | |
| Bonds (Note 4A) | \$ 4,225,000 | \$4,120,000 | \$4,225,000 | \$ 4,120,000 | \$ 330,000 |
| Financing Obligations (Notes 4B, 4C) | 50,333 | 149,200 | 90,333 | 109,200 | 91,500 |
| Governmental Activities | | | | | |
| Long-term Liabilities | <u>\$ 4,275,333</u> | <u>\$4,269,200</u> | <u>\$4,315,333</u> | <u>\$ 4,229,200</u> | <u>\$ 421,500</u> |

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 16.17 percent. The county's contribution rate for hazardous employees was 33.87 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

BOYLE COUNTY
NOTES TO FINANCIAL STATEMENTS
June 30, 2008
(Continued)

Note 6. Deferred Compensation

Boyle County Fiscal Court allows all eligible employees to participate in deferred compensation plans administered by the Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate.

These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing the Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing Kentucky Public Employees' Deferred Compensation Authority at 101 Sea Hero Road, Suite 110, Frankfort, KY 40601-8862, or by telephone at (502) 573-7925.

Note 7. Insurance

For the fiscal year ended June 30, 2008, Boyle County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

Note 8. Health Insurance Fund

The Boyle County Health Insurance Fund provides health insurance coverage to county employees. The County transfers from each fund (General, Road, Joint Jail, and Emergency Medical Services), the amount for a single policy for each employee who is eligible and elects to receive insurance coverage from the county. Any employee who selected a plan that is not a single plan (i.e. family, spouse/children) has the additional premium deducted from their paychecks. Premiums are determined by the county based upon the recommendations submitted to them by the reinsurer.

Note 9. Prior Period Adjustments

Beginning net assets of governmental activities has been restated for a prior year payroll adjustment and depreciation expense calculation error in the prior year for Infrastructure. The beginning fund balance of \$2,903,614 in the General Fund was decreased by \$34,562, resulting in a restated beginning balance of \$2,059,052. Capital assets were restated by (\$3,161). The effect of this change is a net decrease of \$37,723 in governmental activities.

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BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis

For The Year Ended June 30, 2008

| | GENERAL FUND | | | |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------------|------------------------------------------|-------------------------------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 4,672,000 | \$ 4,672,000 | \$ 5,206,429 | \$ 534,429 |
| Excess Fees | 147,950 | 147,950 | 420,140 | 272,190 |
| Licenses and Permits | 41,000 | 41,000 | 40,440 | (560) |
| Intergovernmental | 681,800 | 681,800 | 784,186 | 102,386 |
| Charges for Services | 79,000 | 79,000 | 92,418 | 13,418 |
| Miscellaneous | 339,600 | 339,600 | 554,948 | 215,348 |
| Interest | 35,000 | 35,000 | 67,529 | 32,529 |
| Total Revenues | <u>5,996,350</u> | <u>5,996,350</u> | <u>7,166,090</u> | <u>1,169,740</u> |
| EXPENDITURES | | | | |
| General Government | 2,335,961 | 2,664,347 | 2,406,518 | 257,829 |
| Protection to Persons and Property | 149,068 | 156,063 | 134,166 | 21,897 |
| General Health and Sanitation | 1,319,463 | 1,402,613 | 1,264,856 | 137,757 |
| Social Services | 85,000 | 85,000 | 84,000 | 1,000 |
| Recreation and Culture | 249,350 | 262,240 | 255,281 | 6,959 |
| Airports | 15,115 | 15,127 | 15,127 | |
| Debt Service | 80,555 | 80,553 | | 80,553 |
| Administration | 2,227,981 | 915,596 | 132,861 | 782,735 |
| Total Expenditures | <u>6,462,493</u> | <u>5,581,539</u> | <u>4,292,809</u> | <u>1,288,730</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(466,143)</u> | <u>414,811</u> | <u>2,873,281</u> | <u>2,458,470</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(1,466,843)</u> | <u>(1,466,843)</u> | <u>(2,024,140)</u> | <u>(557,297)</u> |
| Total Other Financing Sources (Uses) | <u>(1,466,843)</u> | <u>(1,466,843)</u> | <u>(2,024,140)</u> | <u>(557,297)</u> |
| Net Changes in Fund Balance | (1,932,986) | (1,052,032) | 849,141 | 1,901,173 |
| Fund Balance - Beginning (Restated) | <u>1,932,986</u> | <u>1,932,986</u> | <u>2,059,052</u> | <u>126,066</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ 880,954</u> | <u>\$ 2,908,193</u> | <u>\$ 2,027,239</u> |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

| | ROAD FUND | | | |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------|------------------------------------------|-------------------------------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental | \$ 702,700 | \$ 702,700 | \$ 1,200,461 | \$ 497,761 |
| Miscellaneous | | | 10,019 | 10,019 |
| Interest | 2,300 | 2,300 | 2,531 | 231 |
| Total Revenues | 705,000 | 705,000 | 1,213,011 | 508,011 |
| EXPENDITURES | | | | |
| Transportation Facilities and Services | 17,650 | 17,120 | 15,162 | 1,958 |
| Roads | 737,485 | 765,799 | 698,434 | 67,365 |
| Debt Service | 49,300 | 34,141 | 34,141 | |
| Capital Projects | 68,000 | 635,886 | 562,115 | 73,771 |
| Administration | 282,930 | 262,780 | 257,972 | 4,808 |
| Total Expenditures | 1,155,365 | 1,715,726 | 1,567,824 | 147,902 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | (450,365) | (1,010,726) | (354,813) | 655,913 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 286,763 | 286,763 | 375,000 | 88,237 |
| Financing Obligation Proceeds | 100,000 | 100,000 | 36,500 | (63,500) |
| Total Other Financing Sources (Uses) | 386,763 | 386,763 | 411,500 | 24,737 |
| Net Changes in Fund Balance | (63,602) | (623,963) | 56,687 | 680,650 |
| Fund Balance - Beginning | 63,602 | 63,602 | 40,013 | (23,589) |
| Fund Balance - Ending | \$ 0 | \$ (560,361) | \$ 96,700 | \$ 657,061 |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

| | JOINT JAIL FUND | | | |
|-----------------------------------------------------------------------------------------------|-------------------------|---------------------|-----------------------------------------------------|-------------------------------------------------------------------|
| | Budgeted Amounts | | Actual Amounts (Budgetary Basis) | Variance with Final Budget Positive (Negative) |
| | Original | Final | | |
| REVENUES | | | | |
| Intergovernmental | \$ 1,760,408 | \$ 1,760,408 | \$ 2,031,790 | \$ 271,382 |
| Charges for Services | 146,750 | 146,750 | 160,583 | 13,833 |
| Miscellaneous | 102,100 | 102,100 | 146,026 | 43,926 |
| Interest | 500 | 500 | 782 | 282 |
| Total Revenues | <u>2,009,758</u> | <u>2,009,758</u> | <u>2,339,181</u> | <u>329,423</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 1,895,150 | 2,019,036 | 2,019,036 | |
| Debt Service | 202,645 | 202,645 | | 202,645 |
| Administration | 788,075 | 769,857 | 769,857 | |
| Total Expenditures | <u>2,885,870</u> | <u>2,991,538</u> | <u>2,788,893</u> | <u>202,645</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(876,112)</u> | <u>(981,780)</u> | <u>(449,712)</u> | <u>532,068</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | | | (202,645) | (202,645) |
| Transfers In | 753,085 | 753,085 | 703,576 | (49,509) |
| Total Other Financing Sources (Uses) | <u>753,085</u> | <u>753,085</u> | <u>500,931</u> | <u>(252,154)</u> |
| Net Changes in Fund Balance | (123,027) | (228,695) | 51,219 | 279,914 |
| Fund Balance - Beginning | <u>123,027</u> | <u>123,027</u> | <u>34,181</u> | <u>(88,846)</u> |
| Fund Balance - Ending | <u>\$ 0</u> | <u>\$ (105,668)</u> | <u>\$ 85,400</u> | <u>\$ 191,068</u> |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

| EMERGENCY 911 FUND | | | | |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------|------------------------------------------|-------------------------------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Taxes | \$ 90,000 | \$ 90,000 | \$ 73,683 | \$ (16,317) |
| Intergovernmental | \$ 100,000 | \$ 100,000 | \$ 128,127 | \$ 28,127 |
| Interest | 3,500 | 3,500 | 11,855 | 8,355 |
| Total Revenues | 193,500 | 193,500 | 213,665 | 20,165 |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 153,111 | 178,426 | 135,745 | 42,681 |
| Administration | 359,439 | 334,124 | | 334,124 |
| Total Expenditures | 512,550 | 512,550 | 135,745 | 376,805 |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | (319,050) | (319,050) | 77,920 | 396,970 |
| Net Changes in Fund Balance | (319,050) | (319,050) | 77,920 | 396,970 |
| Fund Balance - Beginning | 319,050 | 319,050 | 309,834 | (9,216) |
| Fund Balance - Ending | \$ 0 | \$ 0 | \$ 387,754 | \$ 387,754 |

BOYLE COUNTY
BUDGETARY COMPARISON SCHEDULES
Required Supplementary Information - Modified Cash Basis
For The Year Ended June 30, 2008
(Continued)

| EMERGENCY MEDICAL SERVICES FUND | | | | |
|-----------------------------------------------------------------------------------------------|-------------------------|--------------|------------------------------------------|-------------------------------------------------|
| | Budgeted Amounts | | Actual | Variance with |
| | Original | Final | Amounts (Budgetary Basis) | Final Budget Positive (Negative) |
| REVENUES | | | | |
| Intergovernmental | \$ 10,000 | \$ 10,000 | \$ 10,256 | \$ 256 |
| Charges For Services | 1,525,000 | 1,525,000 | 1,215,248 | (309,752) |
| Miscellaneous | 50 | 50 | 12,109 | 12,059 |
| Interest | 350 | 350 | 1,008 | 658 |
| Total Revenues | 1,535,400 | 1,535,400 | 1,238,621 | (296,779) |
| EXPENDITURES | | | | |
| Protection To Persons and Property | 1,284,280 | 1,330,730 | 1,330,686 | 44 |
| Debt Service | 43,300 | 60,047 | 60,047 | |
| Administration | 679,750 | 650,012 | 650,012 | |
| Total Expenditures | 2,007,330 | 2,040,789 | 2,040,745 | 44 |
| Excess (Deficiency) Of Revenues Over Expenditures Before Other Financing Sources (Uses) | (471,930) | (505,389) | (802,124) | (296,735) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 273,650 | 273,650 | 655,000 | 381,350 |
| Financing Obligation Proceeds | 100,000 | 100,000 | 112,700 | 12,700 |
| Total Other Financing Sources (Uses) | 373,650 | 373,650 | 767,700 | 394,050 |
| Net Changes In Fund Balances | (98,280) | (131,739) | (34,424) | 97,315 |
| Fund Balance - Beginning | 98,280 | 98,280 | 79,639 | (18,641) |
| Fund Balances - Ending | \$ 0 | \$ (33,459) | \$ 45,215 | \$ 78,674 |

BOYLE COUNTY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2008

Budgetary Information

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information**

June 30, 2008

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

June 30, 2008

| | Local Government Economic Assistance Fund | State Grant Fund | Kentucky Local Correctional Facilities Construction Authority Fund | Jail Fund |
|---------------------------|------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------|----------------------|
| ASSETS | | | | |
| Cash and Cash Equivalents | \$ 71,840 | \$ 21,251 | \$ 168,446 | \$ 50,047 |
| Total Assets | <u>71,840</u> | <u>21,251</u> | <u>168,446</u> | <u>50,047</u> |
| FUND BALANCES | | | | |
| Reserved for: | | | | |
| Encumbrances | | | | 26,378 |
| Debt Service | | | 168,446 | |
| Unreserved: | | | | |
| Special Revenue Funds | <u>71,840</u> | <u>21,251</u> | <u>-</u> | <u>23,669</u> |
| Total Fund Balances | <u>\$ 71,840</u> | <u>\$ 21,251</u> | <u>\$ 168,446</u> | <u>\$ 50,047</u> |

BOYLE COUNTY
COMBINING BALANCE SHEET -
NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
June 30, 2008
(Continued)

| TEA-21 Fund | Boyle County Municipal Properties Corporation | Total Non-Major Governmental Funds |
|------------------------|------------------------------------------------------------------|-------------------------------------------------------|
| <u>\$ 1</u> | <u>\$</u> | <u>\$ 311,585</u> |
| <u>1</u> | <u></u> | <u>311,585</u> |
| | | 26,378 |
| | | 168,446 |
| <u>1</u> | <u></u> | <u>116,761</u> |
| <u>\$ 1</u> | <u>\$ 0</u> | <u>\$ 311,585</u> |

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BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information
For The Year Ended June 30, 2008

BOYLE COUNTY
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS
Other Supplementary Information

For The Year Ended June 30, 2008

| | Local Government Economic Assistance Fund | State Grant Fund | Kentucky Local Correctional Facilities Construction Authority Fund | Jail Fund |
|-----------------------------------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------|-----------------------------------------------------------------------------------------------|----------------------|
| REVENUES | | | | |
| Intergovernmental | \$ 87,875 | \$ 327,460 | \$ | \$ 8,308 |
| Miscellaneous | | | | 12,982 |
| Interest | 359 | 182 | 13,625 | 155 |
| Total Revenues | <u>88,234</u> | <u>327,642</u> | <u>13,625</u> | <u>21,445</u> |
| EXPENDITURES | | | | |
| Protection to Persons and Property | 12,636 | | | 221,493 |
| General Health and Sanitation | 7,570 | | | |
| Social Services | | 27,102 | | |
| Recreation and Culture | | 382,161 | | |
| Roads | 89,216 | | | |
| Debt Service | | | | |
| Administration | 20 | | | 852 |
| Total Expenditures | <u>109,442</u> | <u>409,263</u> | <u></u> | <u>222,345</u> |
| Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses) | <u>(21,208)</u> | <u>(81,621)</u> | <u>13,625</u> | <u>(200,900)</u> |
| Other Financing Sources (Uses) | | | | |
| Payment to Escrow Agent - Bond Principal Transfers Out | | | (202,645) | |
| Transfers In | | | | 210,000 |
| Total Other Financing Sources (Uses) | | | <u>(202,645)</u> | <u>210,000</u> |
| Net Change in Fund Balances | (21,208) | (81,621) | (189,020) | 9,100 |
| Fund Balances - Beginning | 93,048 | 102,872 | 357,466 | 40,947 |
| Fund Balances - Ending | <u>\$ 71,840</u> | <u>\$ 21,251</u> | <u>\$ 168,446</u> | <u>\$ 50,047</u> |

BOYLE COUNTY**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES****IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS****Other Supplementary Information****For The Year Ended June 30, 2008****(Continued)**

| TEA-21 Fund | Boyle County Municipal Properties Corporation | Total Non-Major Governmental Funds |
|------------------------|------------------------------------------------------------------|-------------------------------------------------------|
| \$ 286,947 | \$ | \$ 710,590 |
| | | 12,982 |
| 5 | 5,767 | 20,093 |
| 286,952 | 5,767 | 743,665 |
| | | 234,129 |
| | | 7,570 |
| | | 27,102 |
| 306,169 | | 688,330 |
| | | 89,216 |
| | 485,843 | 485,843 |
| | | 872 |
| 306,169 | 485,843 | 1,533,062 |
| (19,217) | (480,076) | (789,397) |
| | (4,034,242) | (4,034,242) |
| | (5,768) | (208,413) |
| | 4,520,085 | 4,730,085 |
| | 480,075 | 487,430 |
| (19,217) | (1) | (301,967) |
| 19,218 | 1 | 613,552 |
| \$ 1 | \$ 0 | \$ 311,585 |

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**



CRIT LUALLEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Harold McKinney, Boyle County Judge/Executive
Members of the Boyle County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards**

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Boyle County, Kentucky, as of and for the year ended June 30, 2008, which collectively comprise the County's basic financial statements and have issued our report thereon dated September 3, 2009. Our report was modified to include a reference to other auditors. Boyle County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Boyle County Municipal Properties Corporation, as described in our report on Boyle County Fiscal Court's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by these auditors.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Boyle County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Boyle County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Boyle County's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the modified cash basis of accounting such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statements Performed In Accordance With Government Auditing Standards
(Continued)

Internal Control Over Financial Reporting (Continued)

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether Boyle County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information and use of management, the Boyle County Fiscal Court, and the Department for Local Government and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized, flowing script.

Crit Luallen
Auditor of Public Accounts

September 3, 2009

**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

BOYLE COUNTY FISCAL COURT

**For The Fiscal Year Ended
June 30, 2008**

Appendix A

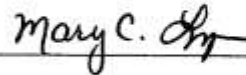
CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM
BOYLE COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2008

The Boyle County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.



Name
County Judge/Executive



Name
County Treasurer

